

# **STATE PROCUREMENT OFFICE**

## **SUMMARY OF CHAPTER 103D, HRS HAWAII PUBLIC PROCUREMENT CODE**

### **BACKGROUND**

Chapter 103D, HRS, is based on the Model Procurement Code for State and local Governments which was drafted under the auspices of the American Bar Association by attorneys and state and local purchasing officials.

### **APPLICABILITY**

Chapter 103D, HRS, applies to all procurement contracts made by governmental bodies of the state and counties whether the consideration for the contract is cash, revenues, realizations, receipts, or earnings, any of which the State receives or is owed; except for specific types of procurements which are exempt by law or administrative rule. Refer to section 103D-102, HRS, and chapter 3-120, HAR.

### **ORGANIZATION**

**Chief Procurement Officers.** Public procurement in Hawaii for the most part is decentralized. The procurement function is carried out by 18 Chief Procurement Officers (CPOs). The CPOs are located throughout the state, serving the Executive, Legislative and Judiciary branches of government, including county governments, the Department of Education, and the Office of Hawaiian Affairs.

**The Procurement Policy Board.** A seven member autonomous board serves as the rule making body for all procurement law. There is no direct reporting or oversight relationship between the Procurement Policy Board and the Chief Procurement Officers.

**The State Procurement Office and the Administrator.** The State Procurement Office (SPO) is administratively attached to the Department of Accounting and General Services. The Administrator of the SPO is responsible for assisting and advising governmental bodies in matters relating to the procurement process. The SPO serves as the central point for the distribution of procurement circulars, guidance, and directives to all jurisdictions. The SPO and the Administrator provide support to the Procurement Policy Board. The Administrator also serves as one of the CPOs with the responsibility for all executive branch procurements, except for the Department of Education and the Office of Hawaiian Affairs.

## METHODS OF SOURCE SELECTION

**Small Purchases.** A small purchase is expenditure under the current bid level of \$25,000. Small purchases shall not be parceled by dividing the purchase of same, like or related items of goods, services, or construction, during any twelve-month period, so as to evade the statutory competitive source selection requirements.

**Competitive Sealed Bidding.** Unless otherwise provided by law and administrative rules, contracts \$25,000 or more for goods, services, or construction shall be made pursuant to the competitive sealed bidding process. Competitive sealed bidding includes the issuance of a written invitation for bids containing the scope of work, purchase description, specifications, and the contractual terms and conditions applicable to the procurement. Award is made to the lowest responsive and responsible offeror.

**Competitive Sealed Proposal.** The competitive sealed proposal process or a request for proposal is used when it is not practicable or not advantageous to use competitive bidding for contracts \$25,000 or more. Factors to be considered in determining whether competitive sealed bidding is not practicable include: (1) whether the primary consideration in determining award is not price; (2) the scope of work or specifications can not be sufficiently described in the invitation for bid; (3) whether discussions about the price or technical aspects of the proposals may be required; and (4) whether offerors may need the opportunity to revise their proposals. After award, debriefing of non-selected offeror(s) to be held, upon written request by offeror.

**Sole Source Procurement.** A sole source procurement is authorized when there is only one source available for the goods, services, or construction that is \$25,000 or more. To justify a sole source purchase it must be established that: (1) The good, service, or construction has a unique feature, characteristic, or capability; (2) The unique feature, characteristic, or capability is essential in order for the agency to accomplish its work; and (3) The particular good, service, or construction is available from only one source.

**Professional Services.** Professional services \$25,000 or more, are generally procured through section 103D-304, HRS, process that requires each purchasing agency to develop a list of individuals who have been qualified through the agency's review committee to perform an anticipated professional service for the agency. When the need for the professional services arises, the agency then establishes a selection committee who provide the head of the purchasing agency with the names of a minimum of three persons, in ranked order, determined to be the most qualified. The head of the purchasing agency shall negotiate a contract beginning with the first ranked person. If a contract can not be negotiated with the first group of names, then the selection committee may be asked to submit a minimum of three additional names. After award, debriefing of non-selected offeror(s) to be held, upon written request by offeror.

**Emergency Procurement.** An emergency condition means a situation, which creates a threat to public health, welfare, or safety. This procurement process applies to all emergency procurement expenditures for goods, services, or construction, \$25,000 or more. For emergency expenditures less than \$25,000, agencies shall follow small purchase procedures. Emergency procedures may be utilized only to purchase that which is necessary to cover the emergency.

**Exemptions from Procurement.** Agencies may request an exemption from procurement from their respective CPO when it is determined that none of the six methods or source selection is advantageous or practicable.

## **PREFERENCES**

Procurement statutes and rules allow eight preferences for offerors of goods, services, or construction. These preferences are: (1) Hawaii Products Preference; (2) Printing, Binding, and Stationery Work Preference; (3) Reciprocal Preference; (4) Recycled Preference; (5) Software Development Business Preference; (6) Tax Preference; and (7) Qualified Community Rehabilitation Programs.